

NADEL AND GUSSMAN PERMIAN, L.L.C

MIDLAND TEXAS

Ancell Location: Section 17-19S-24E
Eddy County, New Mexico

- This memo is to document the on site meeting between Nadel and Gussman Permian Operations Manager, Gordon Barker, and Mr. Joe Helm.
- This meeting took place on approximately the first week of July 2001 at Mr. Helm's residence and ranch.
- Mr. Barker and Mr. Helms drove in a golf cart out to the proposed location of the Ancell #1. Together they viewed the location and discussed it's the proposed pad site and rig layout.
- Mr. Barker showed size of caliche pad, being a square marked by corner stakes 150' apart. They also discussed proximity of well bore to Mr. Helm's water well to the southwest. NGP agreed to test water well before and after drilling of the Ancell to ensure the water well's flow capacity was not affected.
- After this exchange Mr. Helms told Mr. Barker that the pad site was fine with him and he was looking forward to the well to be drilled so he would receive royalty and a cash bonus.
- At NO time did Mr. Barker discuss leasing terms or royalty bonus.
- They also discussed a second location to the south in Section 20-T19S-R24E. This location has also been proposed by NGP on state acreage. The proposed spacing unit would be totally a state and federal unit and all participants have agreed to drill. This well was discussed with Mr. Helm because of access to location. Mr. Helm and NGP could not agree on access road so NGP has permitted road to the east entirely on state acreage.

OIL CONSERVATION DIVISION

CASE NUMBER _____

EXHIBIT _____